CANADIAN PIONEER OILS LTD.

1984 ANNUAL REPORT

CORPORATE PROFILE

Canadian Pioneer Oils Ltd. is a Canadian public oil and gas company based in Calgary, Alberta and listed on the Alberta Stock Exchange. Incorporated in Alberta in 1978, the Corporation is engaged in acquisition, exploration, development and production of oil and gas in Canada and the United States. Its principal activities include exploration and production in central and northern Alberta. In the United States, where operations are conducted through two wholly-owned subsidiaries, Frontier Canadian Oils and American Pioneer Oils Ltd., activities centre on gas production in Wyoming and oil production in Texas. At June 30, 1984, the Corporation had outstanding 9,882,670 Class A common shares and 21,000 first preference shares. Northgate Exploration Limited, a Canadian public mining corporation, is the major shareholder, owning 8,051,856 shares.

NOTICE OF ANNUAL MEETING

The Annual Meeting of Shareholders will be held at the Calgary Petroleum Club, 319 - 5 Avenue S.W., Calgary, Alberta on Tuesday, December 4, 1984 at 3:30 p.m. in The McMurray Room.

ABBREVIATIONS

Throughout this report standard oil and gas abbreviations have been used as follows:

STB	Stock Tank Barrel(s)
BOPD	Barrels of Oil per Day
MCFD	Thousand Cubic Feet per Day
MMCF	Million Cubic Feet
MMCFD	Million Cubic Feet per Day
BCF	Billion Cubic Feet

METRIC CONVERSION TABLE

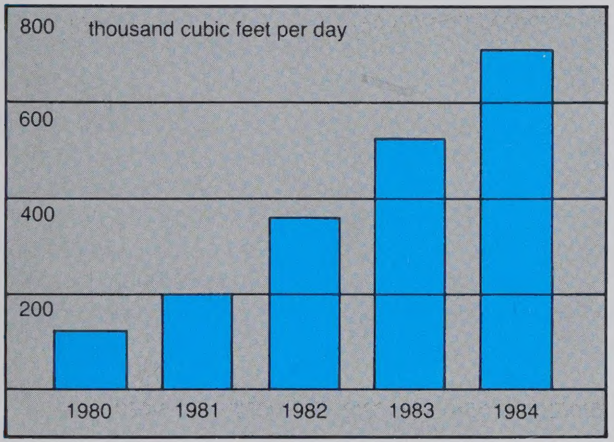
Traditional Unit	S.I. Unit	Conversion Factor	
Barrel	Cubic Metre (m^3)	1 Barrel	= 0.159 m^3
		1 m^3	= 6.29 barrels
Cubic Foot (ft^3) at 14.696 psia	Cubic Metre (m^3)	1 ft^3	= 0.028 m^3
+ 60° F		1 m^3	= 35.383 ft^3
Acre	Hectare	1 acre	= 0.405 ha
		1 hectare	= 2.471 acres

CANADIAN PIONEER OILS LTD.

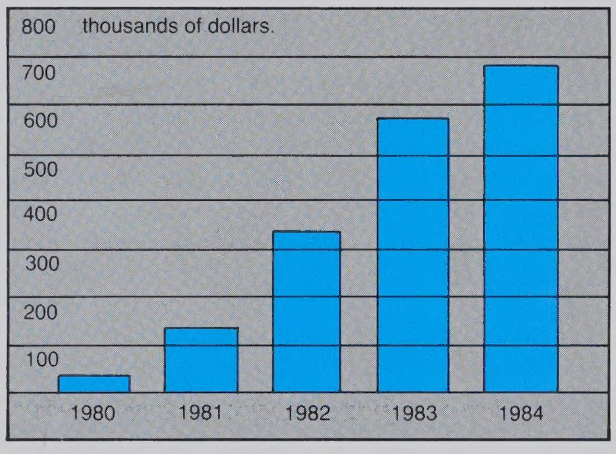
1984 HIGHLIGHTS

- Gas production increased 36 percent to 717,000 cubic feet per day.
- Production revenues increased 20 percent to $688,000.
- Oil and gas assets with a market value of $9,500,000 were acquired from Northgate Exploration Limited and asset base doubled.
- Private placement raised $300,000 through issue of 150,000 shares.
- Available credit lines increased to $7,000,000 and restructured on more favourable terms.

GAS PRODUCTION



PRODUCTION REVENUE NET OF ROYALTIES



FINANCIAL SUMMARY

	1984	1983
	$	$
Production Revenue net of royalties	687,996	572,217
Loss for the year	925,477	945,099
Working Capital Deficit	142,095	92,477
Shareholders' Equity	2,908,227	(325,260)
Long Term Debt	5,650,000	3,776,143

CONTENTS

REPORT TO SHAREHOLDERS

Amidst the continuing worldwide economic recession, weak demand for gas, uncertainty over oil and gas pricing and tight equity markets the year ended June 30, 1984, was one of major achievement for Canadian Pioneer Oils. The accomplishments made, although not totally reflected in the 1984 financial results, have placed the Corporation on a sound footing, significantly enhancing its future potential.

These accomplishments included a major year-end acquisition of oil and gas assets from Northgate Exploration Limited which doubled the Corporation's asset base, an increase in available credit lines and a restructuring of long term debt on more favourable terms. In addition, during the year, gas production increased 36 percent while production revenues were 20 percent higher than the previous year. The Corporation also successfully negotiated participation in several exploration programs through farmout of undeveloped lands.

Production

Primarily a producer of gas, with most of its gas reserves contracted, Canadian Pioneer's production has been restricted due to continuing weak gas markets. Nevertheless, gas production did increase 36 percent during the past fiscal year, to 717,000 cubic feet per day. In fact, during the second half of the year gas production doubled over the comparable period in the previous year. The increase is attributed to previously shut-in wells coming on stream, moderate improvement in gas contract nominations and conversions from gross overriding royalties to larger working interests.

Production revenues increased by 20 percent to $688,000 from $572,000 in the previous year.

Exploration

Eleven exploration and development wells were drilled at no cost to Canadian Pioneer through farmouts. In addition, the Corporation participated directly in four wells. These 15 wells resulted in seven gas wells, three oil wells and five abandonments. Most of the successful wells will be placed on stream this winter.

In May the Corporation negotiated a major farm-out of its undeveloped acreage in the Birch Wavy Lake area of Alberta, to Merland Explorations Limited which made a commitment to drill a minimum of 15 wells.

Northgate acquisition

A transaction of major importance for Canadian Pioneer was completed effective June 30, 1984, when the Corporation acquired a significant portfolio of oil and gas assets from Northgate Exploration Limited for $9.5 million. As a result of the transaction, in which 6.6 million treasury shares were issued, and the acquisition of additional shares from previous shareholders, Northgate owns approximately 75 percent of the issued common shares of Canadian Pioneer. The Corporation is now a member of the Northgate group, a large Toronto-based international mining organization. Northgate intends to assist Canadian Pioneer to grow and develop into a substantial junior oil and gas company.

The acquisition, which included varying interests in 110 oil and gas wells in Canada and the United States and land holdings with considerable oil potential, doubled Canadian Pioneer's asset base and will increase its cash flow substantially. The Corporation now has land holdings of 65,500 net acres (308,350 gross acres) which provide an attractive base for future exploration.

Reserves

Canadian Pioneer's proved and probable gas reserves at fiscal year-end, including reserves acquired through the Northgate transaction, were estimated to be 16.8 billion cubic feet. Proved and probable oil reserves were estimated at 312,000 barrels.

In this estimate, the Corporation's prior gas reserves were recalculated on a more conservative basis, resulting in a reduction of those reserves reported previously. Additions to reserves attributable to several of the successful wells drilled in the latter part of the fiscal year are not included.

Financial

The Northgate transaction closed on the last day of the fiscal year, and the 1984 financial statements reflect the assets acquired. Production revenue net of royalties for the year increased 20 percent to $688,000. Cash expenses of $1.2 million, a slight decrease from the previous year, resulted in a cash flow deficit from operations of $543,000.

The Corporation incurred a loss of $925,000 or $0.31 per share for the 1984 fiscal year, compared to a loss of $945,000 or $0.34 per share for the previous

year. Working capital deficit at year-end was $142,000 compared to $92,000 a year earlier. Shareholders' equity increased to $2.9 million from a deficit of $325,000 12 months previously.

As part of the Northgate transaction, long term debt was increased by $1.5 million and restructured on more favourable terms. The Corporation's available credit lines were increased to $7 million. The long term loan is a revolving term production facility with principal repayment scheduled to commence on January 1, 1986. At fiscal year-end, long term debt was $5.6 million.

Early in the fiscal year a private placement of 150,000 treasury shares at $2 per share contributed $300,000 of new equity. Included with this placement was a warrant to purchase up to 150,000 common shares at $2 per share, exercisable until September 30, 1986.

Organization

Following the sale of a portion of their shares to Northgate, W.B. Davids, B.R. Libin and E.R. Libin retired as directors of the Corporation and Perry S. Davids resigned as President but remains as a director. Their collective contribution in the formation of the Corporation is acknowledged.

Four new directors were elected to the board; James H. Coleman, partner in the law firm of Macleod Dixon, Calgary; Ronald R.J. Derouin, Petroleum Engineer; Patrick J. Hughes, Chairman, Northgate Exploration Limited and John F. Kearney, Executive Vice President, Northgate.

At the forthcoming annual meeting, shareholders will be asked to approve an increase in the size of the Board from the current complement of seven directors. An enlarged Board of Directors is considered appropriate in view of the Corporation's expanding activities. Nominees for two new positions are: S.P. Boland and P.D. Downey, executive vice president and controller of Northgate, respectively. Additional appointments to the Board will be considered in the near term.

To provide the Corporation's management with additional strength several new officers were appointed. Ronald R.J. Derouin, a Petroleum Engineer with more than 20 years experience in the Canadian oil and gas industry, was appointed President and Chief Operating Officer. Patrick J. Hughes was appointed Chairman of the Board, John F. Kearney, Chief Executive Officer and Patrick D. Downey, Vice President & Treasurer. In addition, David H. Erickson and Thomas C. Riddell, co-founders and directors of the Corporation were appointed Vice President Exploration and Vice President Land & Secretary, respectively.

Outlook

Before the Northgate transaction, Canadian Pioneer had large gas reserves, a strong land position, a proven exploration team and attractive long term potential. However, because of depressed gas markets and resultant cash flow insufficient to cover expenses and service debt, the Corporation was experiencing short term financial difficulties.

The acquisition of Northgate's oil and gas assets, and associated transactions, have strengthened Canadian Pioneer's financial base, doubled its assets and further enhanced its long term potential.

With the wells acquired from Northgate, additional wells coming on stream during the winter of 1984-85 and with conversions to higher working interests, it is anticipated that production revenue will increase at least three-fold in the 1985 fiscal year. Equally important, with proven and probable gas reserves of 16.8 billion cubic feet and a gas reserve life index of 35 years at current production rates, Canadian Pioneer is well positioned to capitalize on strengthening gas markets in North America.

During the year ahead, the Corporation's efforts will be directed towards the realization of the full potential of existing assets and prudent financial management. Major ongoing goals include further expansion of the reserve and revenue base through acquisition, broadening of the public shareholder float and identification of outside sources of capital funds to enable a more aggressive exploration program.

The achievement of these goals would be very much aided by co-operative efforts between the new federal government and the provinces to revitalize the Canadian petroleum industry. Favourable amendments to the fiscal regime affecting industry royalties and taxation, and incentives encouraging greater Canadian private sector and foreign investment would be welcomed.

Canadian Pioneer has entered a new phase. It is now financially stable, has the backing of a senior resource organization and a staff of well qualified professionals. The Corporation's asset base provides excellent potential for future capital growth.

November 1, 1984


RAINBOW
Sixth Meridian
Fifth Meridian
Fourth Meridian
ALBERTA
EDMONTON
PLAIN
RANFURLY
STROME-HEISLER
GARRINGTON
DELIA-ROWLEY
CALGARY
MAJOR PRODUCING PROPERTIES
TOWNSHIPS IN WHICH CANADIAN PIONEER HAS HOLDINGS

EXPLORATION AND DEVELOPMENT

Land Holdings

During the past year, Canadian Pioneer's land portfolio changed substantially. Two significant factors contributed to these changes.

Firstly, the Corporation's lands in East Central Alberta, which are gas prone, are once again attracting a high degree of attention due to improving natural gas markets and short-falls in deliverability experienced by certain companies that operate in this area. Also, acceleration of deep drilling activity for oil in this area has sparked interest in Canadian Pioneer's land holdings.

As a result, the Corporation has successfully negotiated commitments through farmouts to drill 25 wells in Alberta on highly favourable terms. The most significant was a major farmout to Merland Explorations Limited, which included a commitment to drill a minimum of 15 wells.

Secondly, the Northgate transaction included substantial undeveloped lands in Canada and the United States. This transaction, in addition to increasing the Corporation's acreage position, increases its exposure to drilling opportunities and diversifies its land portfolio into oil prone areas.

In the United States, Canadian Pioneer has continued to enhance its acreage position through drilling and farmouts. New land acquisitions were restricted to consolidation of existing positions in highly prospective areas.

Canadian Pioneer's current land holdings are as follows:

	Net Acres	Gross Acres
Canada	57,200	213,650
United States	8,300	94,700
TOTAL	65,500	308,350

The Corporation is pursuing an active program of lease development through farmouts in East Central Alberta, where it has extensive land holdings. This area continues to be attractive due to the potential for immediate gas sales. In the coming year, the focus of lease acquisitions will continue to be in Alberta. Activity will be directed to consolidating positions in areas that will be drilled immediately, and in acquiring lands with high geological and economic merit that will provide potential for immediate cash flow.

Drilling Activity

As a result of success in negotiating farmouts during the past year, Canadian Pioneer has earned varying gross overriding royalties in seven wells. In four of these wells, the Corporation, may at its option, convert to a larger working interest at payout, which increases net revenue approximately threefold. The wells were drilled in the Birch-Wavy Lake gas contract area of East Central Alberta and are contracted to TransCanada Pipelines Limited.

Canadian Pioneer also participated in the drilling of three successful oil wells in Roberts County, Texas. The wells are operated by Tenneco Oils Company. All three have been placed on stream and are producing at an average rate of 50 BOPD.

In the coming year, the Corporation will generate drilling prospects in-house and will concentrate on low to medium risk oil and gas exploration in Alberta. Exploration and development of gas prone lands will be pursued by farming out and joint venturing with partners who own gas contracts thereby providing new sources of immediate cash flow.

Canadian Pioneer currently has several exploration projects in progress. Lease acquisitions are nearing completion on an exploration play in Central Alberta that has oil and gas potential from Cretaceous sands at medium depth. A seismic program is planned in another area of Alberta to further define a potential reef prospect that was partially evaluated by seismic last year. Results of these and other projects which are in various stages of progress will be reported in the coming months.

DRILLING ACTIVITY SUMMARY

	CANADA			UNITED STATES			
FISCAL YEAR	OIL	GAS	D&A	OIL	GAS	D&A	TOTAL
1979	—	1	—	—	—	—	1
1980	—	6	3	—	—	1	10
1981	—	16	6	1	3	1	27
1982	2	19	4	3	—	2	30
1983	—	22	6	2	—	2	32
1984	—	7	4	3	—	1	15

PRODUCTION AND OPERATIONS

Gas production from Canadian Pioneer's properties has increased from 528 MCFD to 717 MCFD. More significantly, gas production during the second half of the fiscal year doubled over the comparable period in the prior year. Production attributable to the Northgate assets acquired is not included in the increase.

New wells went on stream in the Ranfurly, Plain, Delia and Sylvan Lake areas during the past year. Conversions from gross overriding royalties to larger working interests at payout have also contributed to the production increase.

Most of the Corporation's gas properties in Canada are contracted to TransCanada Pipelines Limited. Indications are that contract nominations, which bottomed in 1983 will moderately increase in the coming contract year.

The Northgate transaction significantly increased and diversified Canadian Pioneer's production base. Whereas oil production was previously negligible, the Corporation is now averaging production of 100 BOPD. Gas production is currently averaging 1.3 MMCFD and should substantially increase in the coming peak winter season.

Canadian Pioneer now has an interest in 51 oil wells and 69 gas wells on production in Canada and the United States. Descriptions of the major producing properties, as well as those that will contribute to a large production increase in the coming year, follow.

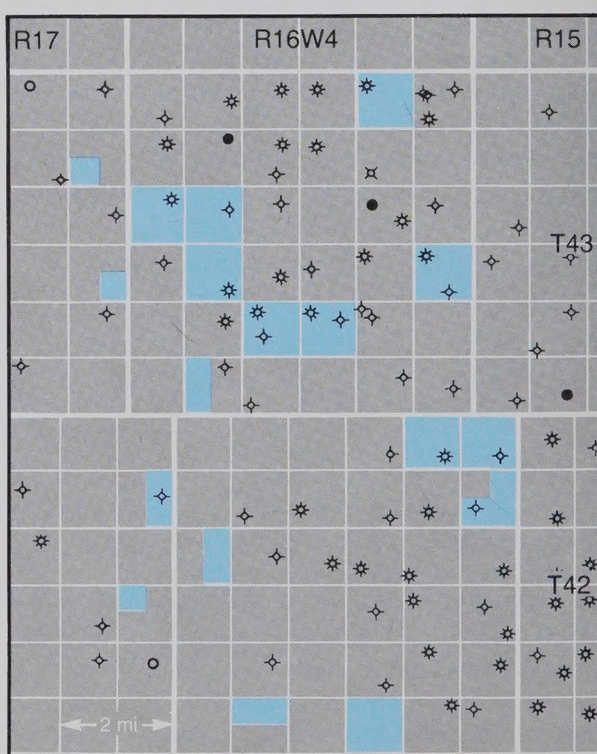
CANADA

STROME-HEISLER AREA, ALBERTA

Canadian Pioneer owns varying interests in one producing and six shut-in gas wells in this area. The gas reserves are contracted to TransCanada Pipelines Limited.

The 2-35-42-16 W4M gas well went on stream in January 1983, and to the end of June 1984, had cumulatively produced 320 MMCF. Four gas wells, 14-9-43-16 W4M, 13-10-43-16 W4M, 1-17-43-16 W4M and 12-35-43-16 W4M will be placed on stream in late 1984, from Lower Mannville Sands. This property will provide Canadian Pioneer with a major new source of production revenue.

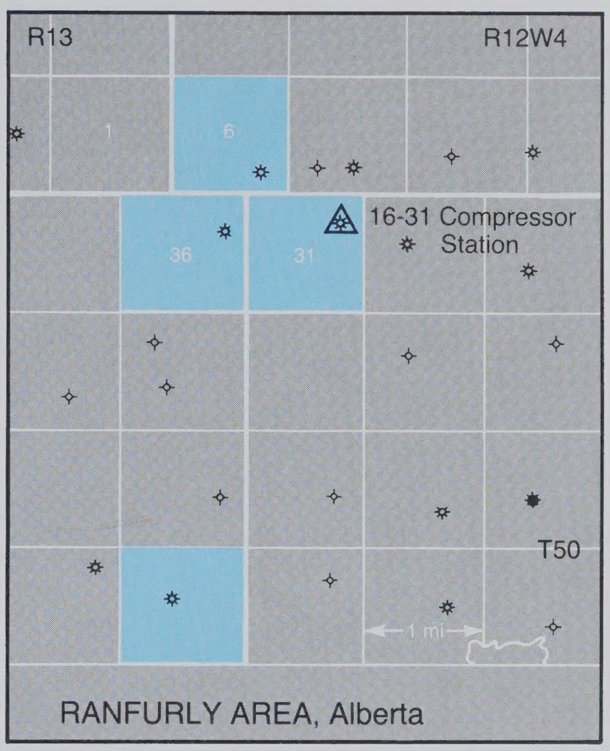
CANADIAN PIONEER Land
- ○ Location
- ● Oil Well
- ☼ Gas Well
- ✷ Oil & Gas Well
- ✧ Dry & Abandoned Well

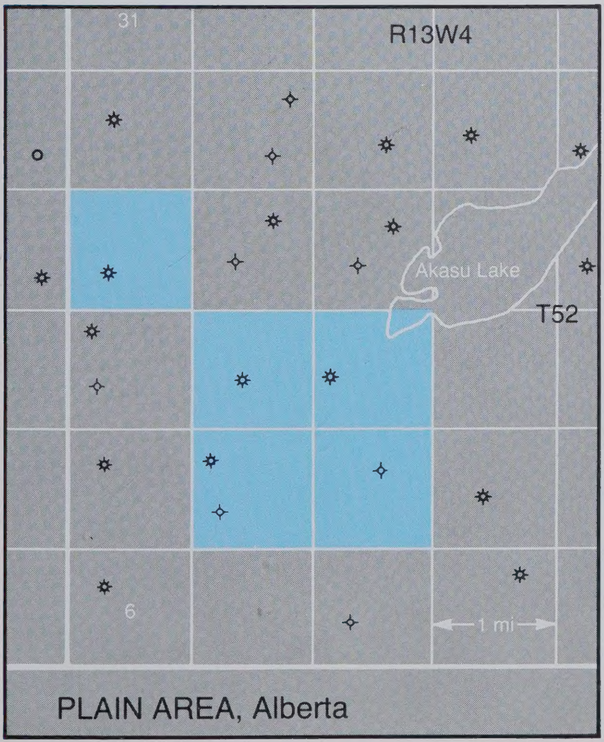


STROME-HEISLER AREA, Alberta

RANFURLY AREA, ALBERTA

The Corporation operates three producing gas wells in the Ranfurly Area and has an interest in one non-operated gas well. Two gas wells, 9-36-50-13 W4M and 1-6-51-12 W4M in which Canadian Pioneer has a 15 percent working interest, began selling gas under a discount contract to ATCOR Resources Ltd. in January 1984. Another well, 16-31-50-12 W4M, in which the Corporation has a 15 percent working interest in the Viking zone and a 7.5 percent interest in other zones, sells gas under a Northwestern Utilities Ltd. contract for the Viking zone and an ATCOR contract for other zones. The three wells are currently producing at a combined rate of 1.7 MMCFD to the ATCOR contract, while the Viking zone in the 16-31-50-12 W4M well is producing 300 MCFD to the Northwestern Utilities contract. The fourth well, 11-13-50-13 W4M, a non-operated gas well in which the Corporation owns an 18.75 percent working interest, began production in August, 1983 and has produced 205 MMCF of sales gas to the end of June, 1984. Canadian Pioneer also operates and owns a 30 percent working interest in a compressor facility located at 16-31-50-12 W4M which processes Ranfurly gas and generates additional revenue for the Corporation.





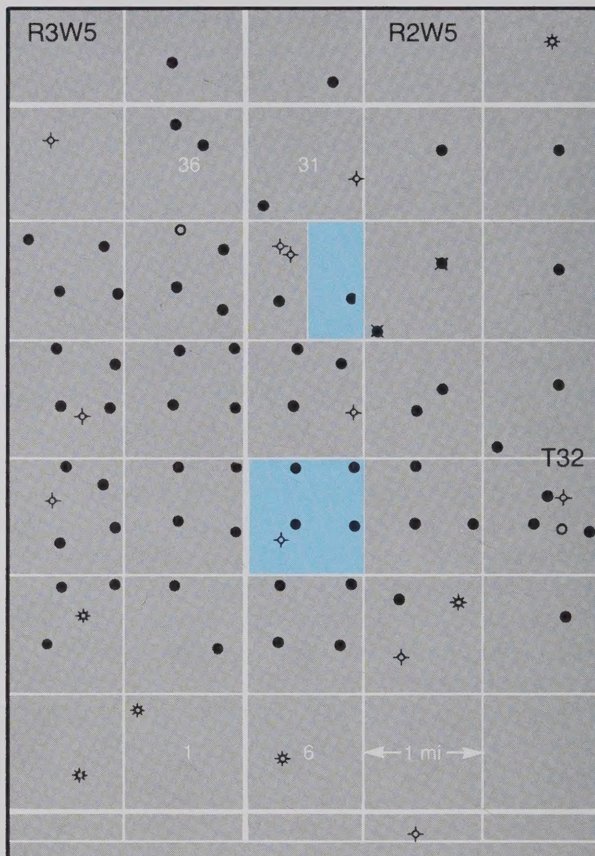
PLAIN AREA, ALBERTA

Canadian Pioneer owns varying interests in three producing gas wells and one shut-in gas well located on 3,400 gross acres in the Plain area which is one of the Corporation's major producing properties. The 6-19-52-13 W4M gas well, in which the Corporation has an 11.25 percent gross overriding royalty converting after payout to a 37.5 percent working interest, has been on stream since December, 1983, from the Glauconite zone, and has cumulatively produced 115 MMCF to the end of June 1984. The 6-17-52-13 W4M Lower Sparky gas well, in which the Corporation has a 25 percent working interest, has been on stream since December 1981, and has produced a total of 512 MMCF. The third producing gas well in the Plain area, 13-8-52-13 W4M, went on production in July 1984, from the Lower Sparky and Basal Quartz zones and has cumulatively produced 112 MMCF. Canadian Pioneer has an 11.25 percent gross overriding royalty before payout, converting to a 37.5 percent working interest after payout in this well. Revenue from the Plain area should substantially increase in the coming year due to payout in two of the wells.

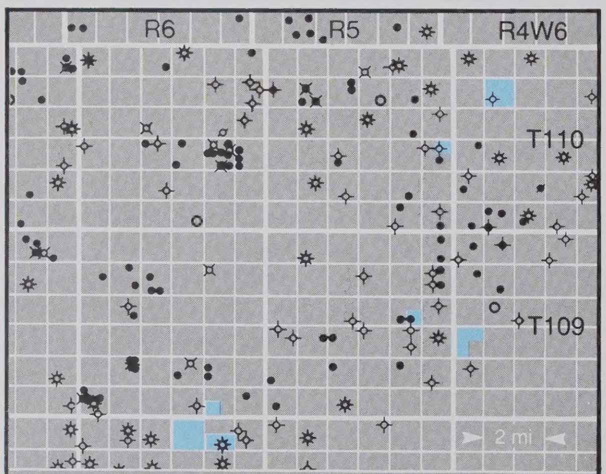
GARRINGTON AREA, ALBERTA

Canadian Pioneer owns interests in five producing Viking oil wells including an 11 percent working interest before payout, converting to a 9.9 percent working interest after payout in four oil wells in Section 18-32-2 W5M which are currently producing at an average rate of 60 BOPD each. The 6-30-32-2 W5M oil well, in which the Corporation has a 20 percent working interest before payout, converting to an 18 percent working interest after payout, is currently producing 19 BOPD.

Canadian Pioneer is negotiating unitization and implementation of an enhanced recovery scheme in this field, one of the Corporation's major producing oil properties. This will result in reclassification of oil reserves from probable to proved and should substantially increase cash flow from this property in the future.



GARRINGTON AREA, Alberta



N.E. RAINBOW AREA, Alberta

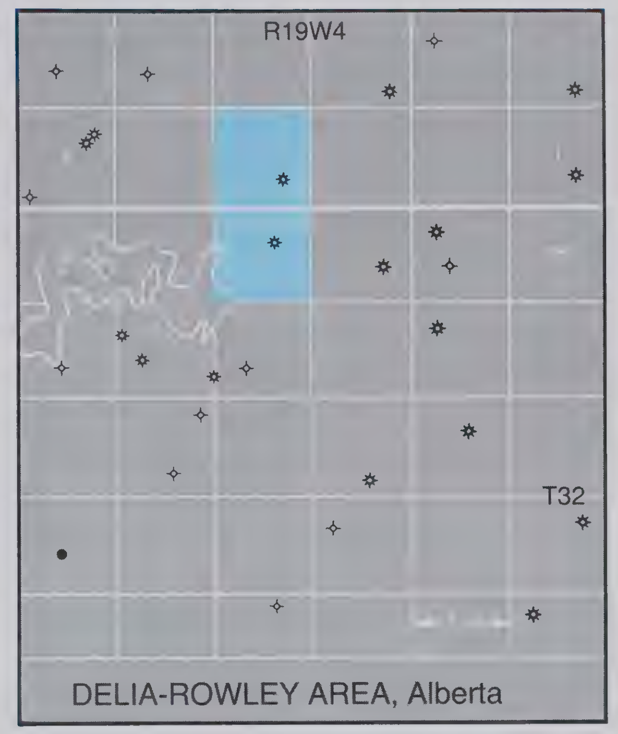
S.W. RAINBOW AREA, Alberta

RAINBOW AREA, ALBERTA

The Corporation owns working interests of 1.4 percent to 3.3 percent in four producing Keg River oil wells and one shut-in gas well. Three of the oil wells are very prolific. The 2-23-109-5 W5M oil well has produced 54,600 STB since going on stream in August 1983, and is currently producing at a rate of 200 BOPD. The 2-20-107-9 W6M well, which went on stream in June 1982, has produced 164,400 STB, and is producing at a rate of 270 BOPD. The 9-18-107-9 W6M well was placed on stream in August 1983, and is currently producing 340 BOPD, with cumulative production of 19,700 STB.

DELIA-ROWLEY AREA, ALBERTA

The Corporation owns a 15 percent working interest in two producing gas wells in this area. The 8-4-33-19 W4M gas well went on production from the Basal Belly River zone in October 1984, and is expected to produce at a rate of 1.0 MMCFD during 1985 under a TransCanada Pipelines Limited contract and a discount gas contract. The 10-33-32-19 W4M gas well, which went on production in October 1984, is expected to produce 400 MCFD during 1985. The gas reserves from this well are dedicated to the Sulpetro Export II contract. These wells provide a new source of revenue for the Corporation.

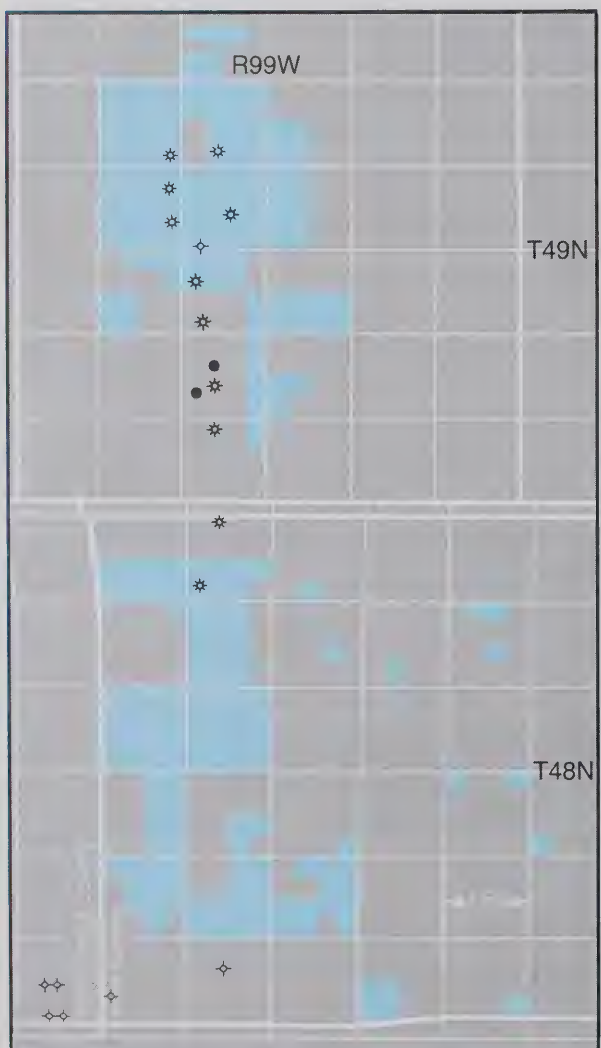


UNITED STATES

N.W. MORRISON AREA, ROBERTS CO., TEXAS

Canadian Pioneer owns an interest in five producing wells in this area. Two gas-condensate wells, Morrison 2-8 and 3-8, in which the Corporation has a 3.5 percent working interest, have been producing since March 1981. During the past year, Canadian Pioneer participated for its 3.75 percent working interest in two successful Cherokee oil wells. The Morrison 4-8 oil well was placed on stream in May 1984, and is currently producing 20 BOPD. The Morrison 5-8 oil well was placed on stream in September 1984, at an initial potential rate of 220 BOPD. The fifth well, Morrison 2-1 is a marginal gas producer.

N.W. MORRISON PROSPECT, Texas



MEETEETSE, Wyoming

MEETEETSE AREA, PARK CO., WYOMING

The Corporation has an average 4.75 percent working interest before payout, reverting to an average 3.20 percent working interest after payout in six producing and two shut-in gas wells in the Meeteetse area. The wells, which are completed in the Frontier and Muddy Sands at approximately 8,000 feet are presently producing at about 3.5 MMCFD which is less than production capability due to low gas contract nominations.

During the past year, Canadian Pioneer participated in the drilling of the Baumgartner Federal 17-2 well which was drilled to a depth of 11,810 feet. The well has been cased as a potential shut-in gas well.

This property has good upside potential through additional development and exploration drilling on a large acreage spread. Additional development, however, will not take place until full contract nominations occur, which is expected within the next two years.

RESERVES

Canadian Pioneer's proven and probable oil and gas reserves in Canada and the United States, have been evaluated annually by independent engineering consultants. The results of the evaluations are summarized in the table below.

The Corporation's proven gas reserves, as reported in the 1983 evaluation, were recalculated on a more conservative basis resulting in a reclassification of a portion of reserves from proven to probable. However, after giving effect to the assets acquired in the Northgate transaction net company proved and probable gas reserves increased 21 percent from those reported the previous year to 16.8 BCF, while proved and probable oil reserves increased to 312,000 STB from 7533 STB. Reserve additions attributable to several of the successful wells drilled in the latter part of the fiscal year are not included.

ANNUAL RESERVE SUMMARY

YEAR OF EVALUATION	NET COMPANY CANADIAN RESERVES		NET COMPANY U.S. RESERVES	
	GAS	OIL	GAS	OIL
1981	4.15 BCF proven 0.34 BCF probable	Nil	0.27 BCF proven 0.56 BCF probable	3,000 STB proven 5,933 STB probable
1982	7.31 BCF proven 0.22 BCF probable	Nil	0.28 BCF proven 0.68 BCF probable	10,036 STB proven 17,662 STB probable
1983	13.61 BCF proven	3,109 STB proven	0.26 BCF proven 0.05 BCF probable	3,050 STB proven 1,374 STB probable
1984	10.78 BCF proven 3.92 BCF probable	181,000 STB proven 67,000 STB probable	1.65 BCF proven 0.46 BCF probable	46,000 STB proven 18,000 STB probable

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of Canadian Pioneer Oils Ltd. as at June 30, 1984 and the consolidated statements of loss, deficit and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at June 30, 1984 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Calgary, Canada
August 31, 1984

PEAT, MARWICK, MITCHELL & CO.
Chartered Accountants

CANADIAN PIONEER OILS LTD.

CONSOLIDATED BALANCE SHEET

June 30, 1984

ASSETS

	1984	1983
Current assets:		
Cash	$ 152,278	61
Accounts receivable	613,075	521,075
Prepaid expenses	13,140	3,150
Total current assets	778,493	524,286
Fixed assets (Note 3):		
Property, plant and equipment	9,842,945	3,681,869
Less accumulated depreciation and depletion	688,331	133,622
	9,154,614	3,548,247
Deposits	20,000	20,000
	$9,953,107	4,092,533

LIABILITIES AND SHAREHOLDERS' EQUITY

	1984	1983
Current liabilities:		
Bank overdraft	$ —	53,903
Accounts payable and accrued liabilities	920,588	562,860
Total current liabilities	920,588	616,763
Long-term debt (Note 4)	5,650,000	3,776,143
Deferred production revenue	474,292	24,887
Shareholders' equity:		
Share capital (Note 5)	6,308,982	2,097,518
Deficit	(3,400,755)	(2,422,778)
	2,908,227	(325,260)
	$9,953,107	4,092,533

On behalf of the Board:

Director

Director

See accompanying notes.

CANADIAN PIONEER OILS LTD.

CONSOLIDATED STATEMENT OF LOSS

For the year ended June 30, 1984

	1984	1983
Revenue:		
Production, net of royalties	$ 687,996	572,217
Expense:		
General and administration	525,691	593,778
Interest on long-term debt	514,247	496,328
Dry holes and lease abandonments	422,522	206,608
Production expenses	168,419	175,456
Depletion and depreciation	76,577	66,003
	1,707,456	1,538,173
Loss before the following	1,019,460	965,956
Other items:		
Gain on disposal of fixed assets	116,584	4,501
Gain (loss) on foreign exchange	(22,601)	16,356
	93,983	20,857
Net loss	$ 925,477	945,099
Net loss per share	$ .31	.34

CONSOLIDATED STATEMENT OF DEFICIT

For the year ended June 30, 1984

	1984	1983
Deficit, beginning of year	$2,422,778	1,425,179
Net loss	925,477	945,099
	3,348,255	2,370,278
Dividends on preference shares	52,500	52,500
Deficit, end of year	$3,400,755	2,422,778

See accompanying notes.

CANADIAN PIONEER OILS LTD.

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

For the year ended June 30, 1984

	1984	1983
Sources of working capital:		
Issue of shares	$4,211,464	131,722
Proceeds on sale of property, plant and equipment	158,569	21,700
Long-term debt — net (Note 4)	1,873,857	3,776,143
Increase in deferred production revenue	—	13,225
Advance to affiliated company	—	736
	6,243,890	3,943,526
Uses of working capital:		
To operations	542,962	676,989
Additions to property, plant and equipment	376,054	503,773
Dividends	52,500	52,500
Decrease in deferred production revenue	4,704	—
Acquisition of subsidiaries, net of working capital acquired	5,317,288	—
	6,293,508	1,233,262
Decrease (increase) in working capital	49,618	(2,710,264)
Working capital deficiency, beginning of year	92,477	2,802,741
Working capital deficiency, end of year	$ 142,095	92,477

See accompanying notes.

Notes to Consolidated Financial Statements

June 30, 1984

1. Significant accounting policies:

(a) Principles of consolidation:

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries.

(b) Foreign currency translation:

Financial statements of foreign subsidiaries are translated as follows:

(i) Monetary assets and liabilities at year-end exchange rates; all other assets and liabilities at historical rates.

(ii) Revenue and expense items are translated at average rates prevailing during the year except for depreciation and depletion which are translated at historical rates.

Exchange gains or losses, other than those resulting from long-term debt, are included in the determination of net income for the year. Exchange gains or losses resulting from long-term debt are deferred and amortized over the repayment period of the liability.

(c) Property, plant and equipment:

The Company follows the successful efforts method of accounting for petroleum and natural gas operations. The costs applicable to successful wells and acquisition costs of undeveloped petroleum and natural gas properties are capitalized. The costs of abandoned leases and dry holes are charged against income in the year of abandonment. Geological and geophysical costs that do not result in the acquisition or retention of acreage and the cost of lease rentals, are charged against income.

Producing petroleum and natural gas properties are depleted on the unit-of-production method on a well-by-well basis, based on estimated proven reserves.

Other fixed assets are depreciated over their estimated useful lives using the following rates and methods:

Automotive	30% declining balance
Furniture and equipment	10% declining balance
Leasehold improvements	5 years straight line
Well equipment	unit-of-production
Gas gathering systems	unit-of-production

(d) Joint venture accounting:

The Company accounts for its joint venture activities using the proportionate consolidation method.

2. Acquisition of subsidiary companies:

On June 29, 1984 the Company acquired all the outstanding shares of American Pioneer Oils Ltd. (formerly Seward Exploration Ltd.) and 288933 (Alberta) Limited (both wholly-owned subsidiaries of the Company's parent) in exchange for 6,666,666 Class A common shares and $1,500,000. As a result, the assets and liabilities acquired have been recorded in these consolidated financial statements at book values in the acquired companies.

The operating results will be reflected in the Company's operations effective July 1, 1984. The Company financed the acquisition as follows:

	American Pioneer Oils Ltd.	288933 (Alberta) Limited	Total
Internal funds	$ 23,408	13,748	37,156
Common shares	2,048,111	1,820,853	3,868,964
Bank loans	500,000	1,000,000	1,500,000
Cost of acquisition	$2,571,519	2,834,601	5,406,120
Net assets acquired at book value are as follows:			
Working capital (deficiency)	$ (248,375)	337,207	88,832
Property, plant and equipment	3,273,953	2,497,394	5,771,347
Deferred production revenue	(454,059)	—	(454,059)
Net assets acquired	$2,571,519	2,834,601	5,406,120

3. Property, plant and equipment:

	Cost	Accumulated Depreciation and Depletion	Net Book Value 1984	Net Book Value 1983
Well equipment	$1,139,046	97,670	1,041,376	26,761
Gas gathering systems	283,082	31,889	251,193	171,520
Developed petroleum and natural gas properties	6,299,035	500,972	5,798,063	1,258,862
Undeveloped petroleum and natural gas properties	1,997,285	—	1,997,285	2,030,928
Other equipment	124,497	57,800	66,697	60,176
	$9,842,945	688,331	9,154,614	3,548,247

4. Long-term debt:

During the year the Company refinanced $5,650,000 in long-term debt.

The new loan is a revolving loan which may be repaid or reborrowed up to a limit of $6,500,000 until December 31, 1985 at which time it is convertible into a reducing term loan, repayable in quarterly instalments commencing January 4, 1986 and ending April 4, 1992.

The loan bears interest at bank prime rate plus ¼% and is secured by a general assignment of debts and certain petroleum and natural gas properties.

5. Share capital:

As of January 24, 1984 the Company was continued under the Alberta Business Corporations Act.

(a) Authorized:

100,000,000 Class A voting common shares without nominal or par value.

8,000,000 First preference shares with a stated capital of $25 per share, issuable in series, of which 100,000 shares have been designated as Series A 10% cumulative, redeemable, non-voting, convertible first preference shares.

20,000,000 Second preference shares with a stated capital of $10 per share, issuable in series.

(b) Issued:

	First Preference		Common		
	Number of Shares	Consideration	Number of Shares	Consideration	Total Consideration
Balance, June 30, 1982	21,000	$505,613	2,949,346	$1,460,183	$1,965,796
Issued:					
Employee stock option plan	—	—	76,658	131,722	131,722
Balance, June 30, 1983	21,000	505,613	3,026,004	1,591,905	2,097,518
Issued:					
For cash	—	—	150,000	300,000	300,000
For other services	—	—	40,000	42,500	42,500
On acquisition of subsidiaries	—	—	6,666,666	3,868,964	3,868,964
Balance, June 30, 1984	21,000	$505,613	9,882,670	$5,803,369	$6,308,982

(c) Preference shares:

The Series A first preference shares may be converted at any time up to June 30, 1988, at the option of the holder, into Class A common shares (as presently constituted) of the company. The conversion price is $3.00 per common share until June 30, 1985 and thereafter increases to $3.50 per common share. Dividends on Series A first preference shares are payable quarterly. These shares are non-voting unless the Company has failed to pay dividends for six quarters. As of June 30, 1984 there are no dividends in arrears.

The Company may redeem Series A first preference shares at any time after June 30, 1984 provided that the current market price of the Company's Class A common shares on the date of notice of redemption exceeds 130% of the conversion price then in effect. The Series A first preference shares are redeemable at $26.25 per share for the period from July 1, 1984 to June 30, 1986, thereafter declining annually by $0.25 until June 30, 1991. The Company has agreed to redeem and cancel 1½% of the issued and outstanding Series A first preference shares quarterly, commencing July 1, 1986.

(d) Employee stock option plan:

During the year 23,334 options expired leaving no outstanding options as at June 30, 1984. Options on 190,000 Class A common shares may be granted until June 9, 1985, at prices not less than 85% of the market value on the day awarded.

(e) Private placement:

On September 9, 1983 the Company completed a private placement with a company owned by former directors for 150,000 Class A common shares of the Company at $2.00 per share, together with a warrant entitling the purchaser to acquire up to 150,000 Class A common shares at $2.00 per share. The warrant is presently outstanding and expires on September 30, 1986.

6. Segmented information:

Oil and gas production is the principle operation and as such information segmented by industry is not applicable. Identifiable items attributable to geographic segments are as follows:

	1984		
	Canada	United States	Total
Revenue	$ 540,010	147,986	687,996
Segment operating income	$ 66,588	47,873	114,461
General and administration			525,691
Interest on long-term debt			514,247
Net loss			$ 925,477
Identifiable assets:			
Property, plant and equipment	$5,352,774	3,801,840	9,154,614
Other	573,779	224,714	798,493
	$5,926,553	4,026,554	9,953,107

	1983		
	Canada	United States	Total
Revenue	$ 455,265	116,952	572,217
Segment operating income	$ 239,397	(94,390)	145,007
General and administration			593,778
Interest on long-term debt			496,328
Net loss			$ 945,099
Identifiable assets:			
Property, plant and equipment	$3,067,929	481,231	3,549,160
Other	454,669	88,704	543,373
	$3,522,598	569,935	4,092,533

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